

Home Mortgage Disclosure Act Public Hearing, July 15, 2010  
Panel Two: Adam Rust

Sandra Braunstein:  
Okay Mr. Rust.

Adam Rust:

Hi, my name's Adam Rust, and I'm a Research Director at the Community Reinvestment Association in North Carolina. I really want to thank the CAC for having this panel because as someone who works with this data at least once or twice a week and some weeks all week, I can tell you that it's really important data, and it's not just important to me, it's important to all the kinds of groups that come to me for the data, from church groups to community groups to banks to foundations. It's a really important piece of data for answering, I think, two big categories of questions one of which is, is there fair and equitable access to capital and then what kind of quality -- how are the loans themselves, what's the quality of the loan once they're made.

I think HMDA was really well suited for a period of time when mortgage lending was really different, but now in the era of sub-prime lending everything has changed and we can't make some of the same assumptions. We can't assume that all loans are good and we can't assume that loans are fairly similar, so we need to have more data about quality. We need to have more data about the elements of the loans, particularly in an era of exotic lending.

The situation that I think we face right now is that we have data haves and data have-nots because you can acquire some of this data. It's available if you're willing to pay for it, which I think really speaks to privacy concerns. I think that what we're really dealing with is people want data to be private unless they can sell it and then it's different. The problem is is that most of the have-nots are exactly the kinds of people that the CRA is designed to protect.

I know that there's all kinds of problems with HMDA data now, and I'm not the only person that thinks that. I've brought letters I've received from all kinds of lenders telling me that HMDA data is not relevant and that there are all kinds of indicators they don't -- that they use in their underwriting that aren't there, that's income loan-to-value, credit score, it goes on and on and on. We need better data.

It's important to remember though that there are some good things about HMDA data. One of the things that I think is really valuable is that the data is described on the level of the loan. If you think how different our response is to small business data where it's aggregated compared to home mortgage lending data where it's on the loan level, and the amount of paper and research that comes out of HMDA and not out of CRA data you can see that the difference that it makes. I think we need loan level data, we need ease of use, we need to fit with the CRA and we need to have more underwriting information. I brought a laundry list of data points that I wanted to have but really I can tell we'll be able to get to that later.

An emerging trend that I want to mention is that I'm really concerned about what's called the loan level pricing adjustment factors, this is loans that are going to be delivered to the GSE's. They trigger all kinds of delivery fees that I'm pretty sure will be ultimately passed on to borrowers. And I think the impact on this is going to be significant, especially for low-income borrowers, minority borrowers, low-income communities. The groups that we're worried about with CRA, the trigger points, there are 13 of them and only 4 of them are in HMDA data right now. They aren't really the main ones usually that are going to come up they're just -- it's just not relevant, and we need to have this information because I think this is the next classic CRA issue.

So I just want to, you know, review what I think is really important. We need to have loan level data, we need to have ease for users to be able to make sense out of this information, we need to be able to assess the quality of lending, because we're in an era of sub-prime lending and complicated risk-based pricing and then, finally, we need to be able to think like lenders. We need to have the underwriting data, or the ability to make a judgment about underwriting, because ultimately we're trying to compare the access to capital and the quality of capital with people. It's all about comparisons. And so I would just hope that with the opportunity that we have with the CFPA to advance some of the data that the implementation includes those principles that we don't just put a loan to value indicator in there, but that we apply it in a way that it will be effective for users. Thanks.